

NASDAQ TARGET 5200 FRIGHTENS INVESTORS

By Daryl Guppy

Investors are an easily panicked group. The NASDAQ reached 5000 and suddenly investors are worried about a repeat of the tech-crash in 2000. It's something magical about a round number like 5000.

It's a false worry because the nature of the NASDAQ trend is very different from the trend in 2009. Also the leading stocks including Apple, Microsoft, Amazon, and Google have genuine revenue generating businesses. In 2000 many NASDAQ listed stocks had big dreams, but no revenue.

In 2000 it was very clear that the very fast and strong momentum rise of 247% from 1475 to 5132 over seven months was unsustainable. Compare this with the NASDAQ trend starting 2009 March. This trend is best seen on the monthly chart.

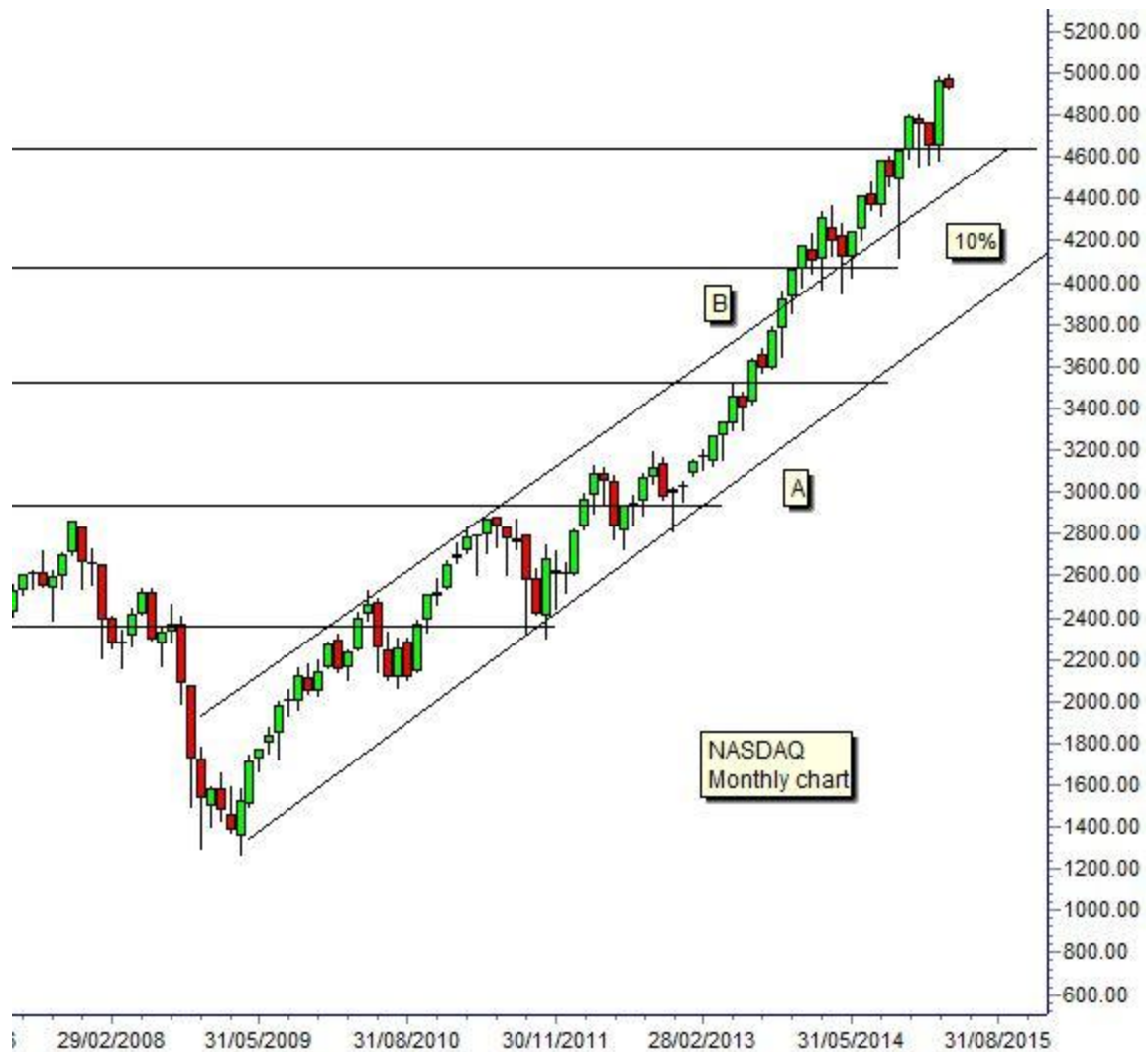
The NASDAQ index has risen 295% from 1265 in 2009 March to 5002 this week. The rise has taken more than 6 years, not six months. This is a steady and sustainable trend rise. The 5000 level is not important from a technical perspective. The chart-based technical target is near 5200. This is a little higher than the NASDAQ peak of 5132 in 2000 March.

The NASDAQ has a rising trend channel. The lower edge of the trend channel is shown by trend line A. The upper edge of the channel is down by trend line B. In 2013 November the NASDAQ moved above the value of trend line B and used this trend line as a support level. If the NASDAQ develops a retreat then there is a high probability the value of trend line B will provide support, currently near 4460.

The NASDAQ trends moves up in a series of horizontal trading bands. The width of the trading band is measured and this value is projected upwards to give the new upside trading target. Using this method the breakout above 4640 has an upside target near 5200. If the market retreats from the current high near 5000 then there is good support near 4640.

This is a strong, steady and well established uptrend. The NASDAQ is not showing any chart pattern development which indicates a major correction or change in the trend so the uptrend has a high probability of continuing in the first half of 2015 towards 5200.

There are three significant patterns that indicate a major trend change. They are best seen on a weekly chart where each candle represents a week of trading activity.



The first of these patterns is the head and shoulder pattern. The second is the rounding top pattern. The third is a blow-off top pattern follows a period of extreme upwards momentum. The third pattern was seen in the NASDAQ in 2000 March. None of these three trend reversal patterns currently appear on the NASDAQ chart. This suggests there is a low probability of a change in the trend direction in the first half of 2015.

Many times the noise about "it's too high and it's going to fall" comes from investors and advisors who were too slow to join the NASDAQ uptrend any time between 2009 and 2014. If they haven't joined the party then they will try to spoil the party for others.